

LIPPINCOTT LIBRARY

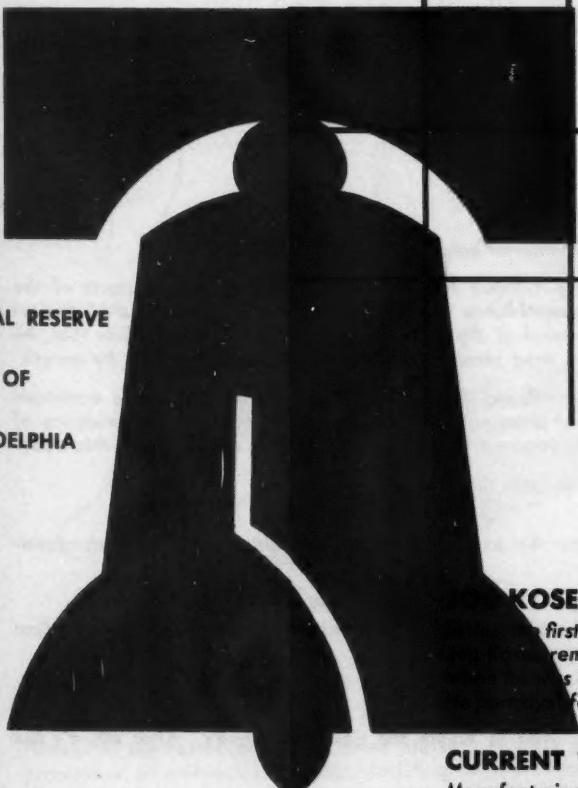
MAR 26 1956

MARCH 1956

MONEY

# business review

FEDERAL RESERVE  
BANK OF  
PHILADELPHIA



## KOSEK LOOKS AHEAD

In the first installment of a study on the anthracite area, Dr. George W. Kosek reminisces about "the boom years, 1890 to 1917" when he was a breaker boy and anthracite was prosperous. He also describes life in the five hard-coal counties in their heyday.

## CURRENT TRENDS

Manufacturing activity in terms of manpower use still is below the 1953 level in this district. Thus far, full recovery has come in about half of our major industrial areas.

## JOE KOSEK

## LOOKS AHEAD

*A Study  
of Problems and Prospects  
of the Hard Coal Region  
of Pennsylvania*

### What this is about

*This is the story of Joe Kosek, an unemployed miner of hard coal.*

*Joe is only a fictional character we have created to tell about problems and prospects of the anthracite area of Pennsylvania. But any resemblance between Joe Kosek and several thousand of his neighbors is no coincidence. He is a symbol of the unemployed coal miner. More than that, he is a reminder that problems of the anthracite area involve people and can be solved only by people.*

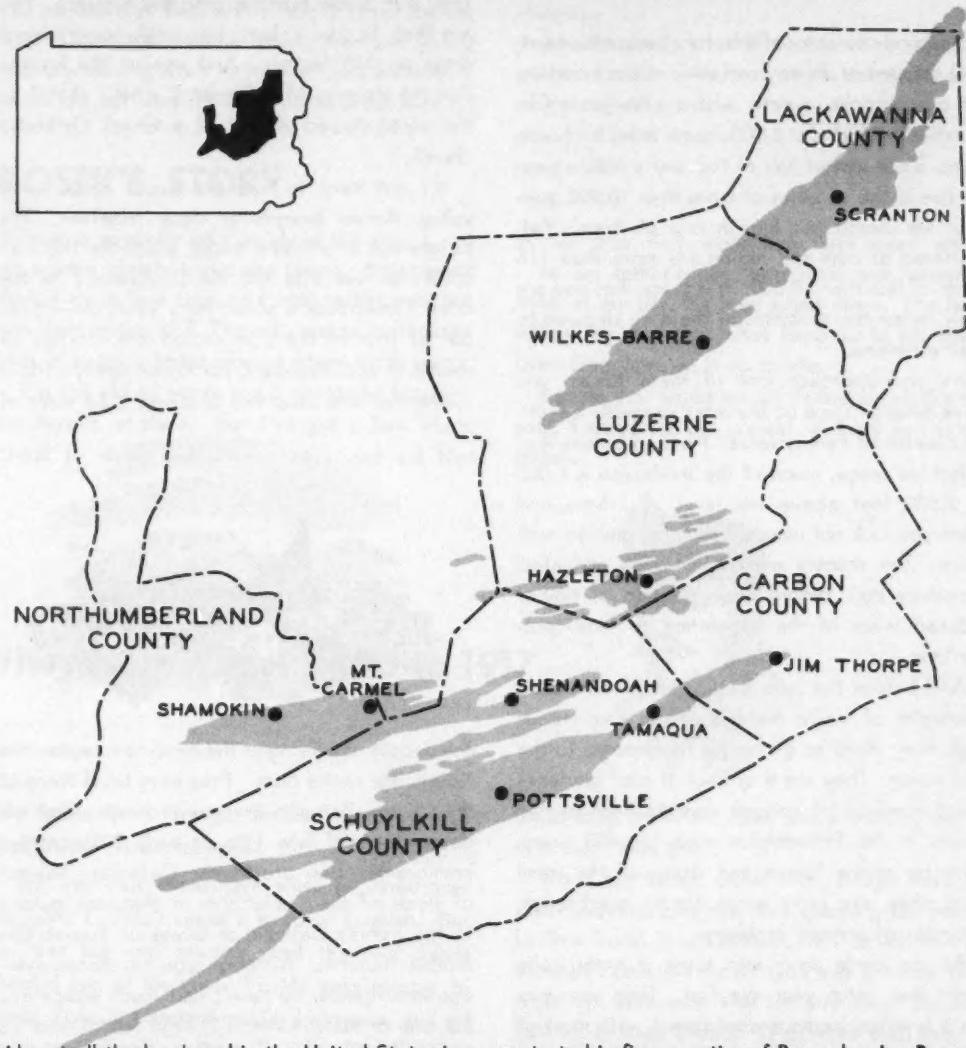
*We, at the Federal Reserve Bank of Philadelphia, have the job of helping to promote economic growth and stability. In the midst of national prosperity we have been disturbed by the existence of pockets of severe unemployment. One of the most persistent is the anthracite area. Hence this study.*

*But as you read it, please bear in mind these three things:*

1. *We offer no pat solutions.  
We are simply trying to bring together the existing facts and present them in an understandable way.*
2. *Every generalization has its exceptions.  
We have tried to draw a picture of the anthracite area as a whole. But in doing so we realize that conditions vary widely within the area.*
3. *The past is past.  
You can't understand what's happening in the anthracite area today without knowing what happened in the past. But we have tried to sketch the past very briefly. After all, it's the future that counts.*

*The more we learn about the anthracite area, the more we admire the efforts of the many men and women who are meeting their problems head on with vigor and courage. If this study stimulates even more action by the people and more attention to the problems and prospects of the anthracite region, it will have served its purpose.*

## THE ANTHRACITE AREA OF PENNSYLVANIA



Almost all the hard coal in the United States is concentrated in five counties of Pennsylvania. Because production of anthracite has been declining for more than three decades the people of this area have experienced severe and chronic unemployment. They are now making vigorous efforts to build up a more diversified and stable economy.

The following charts supplement the text of this article in presenting some of the problems and prospects that the area faces.

## Meet Joe Kosek

The central character of this story lives in the hard-coal country of Pennsylvania—it doesn't matter, for our purpose, exactly where. We have five counties\* with almost 3,000 square miles to choose from. Since almost half of the area's million people live in the 16 cities of more than 10,000, perhaps we should put him in one of them. Yet, scattered all over the region are more than 116 towns of less than 10,000. It is there that you are likely to see the problems of the area stripped to their essentials.

As you approach one of these towns, you drive through some of the most ruggedly beautiful country of Pennsylvania. Perched on the Appalachian range, much of the landscape is 1,000 to 2,500 feet above sea level. But here and there you look out over a lush valley dotted with farms. The scenery must have been unrivalled a century ago, before heavy cutting of timber reduced much of the vegetation to scrub proportions.

And before the culm banks! Huge man-made mountains of waste material, often five stories high, they stand as grotesque monuments to the coal miner. They are a symbol of past glories—the production of enough coal to heat all the houses in the Philadelphia area for 400 years. Looming above homes and stores of the small town, they also serve as an almost overbearing reminder of present problems.

As you circle down into town, it is the culm banks that catch your eye first. Then you may see a breaker, perhaps abandoned, with most of

its windows gone. Or maybe a stripping operation, with trucks bustling onto the highway. You are likely to pass at least one small, cement-block dress or shirt factory. And against the horizon rise the steeples of a Roman Catholic church or the onion-shaped domes of a Greek Orthodox church.

It's not hard to find the Kosek house. The valley throws everything close together. The Koseks live in a frame house, much like the Lucchesi's on one side and the Dougherty's on the other. The house is about forty years old—three out of four in the coal region are. It has six rooms to accommodate the Kosek family of four—Joe, his wife, and two children. Like most of



the people now living in the hard-coal region, the Koseks are native born. They have lived there all their lives. But also like many others, they are descendants of late 19th or early 20th century immigrants. They are Roman Catholics; two out of three of their neighbors in the area belong to the Roman Catholic or Greek or Russian Orthodox churches. Although Joe has above-average intelligence, he hasn't had much education. But one of his children is in high school, and his boy went to college. You've probably seen his boy play football on TV.

Those who know the Koseks and their neighbors find them friendly, loyal, and conscientious. But they are preoccupied with their economic

\*Carbon, Lackawanne, Luzerne, Northumberland, and Schuylkill. Some anthracite is also located in Columbia, Dauphin, Lebanon, Sullivan, Susquehanna, and Wayne Counties, but this study is confined largely to the five counties in which hard coal is particularly important to the economy.

plight, and you can readily understand why when you realize that their entire family structure has been turned topsy-turvy. Young men and young girls are leaving town to try their luck elsewhere; wives are out working in the local dress factory;

unemployed men are taking care of home and children.

Joe Kosek has a lot of time to think about his problems. This is his story of the anthracite area of Pennsylvania . . .

## KOSEK'S STORY

Whenever anybody asks me about this area, I end up talking mostly about the future. What good does it do to look back and wish things were the way they used to be? The only reason for looking back is to get a better idea of where we're going.

I'm too old to worry much about the future—for myself, anyhow. But I've got a boy who's about to strike out on his own, and I'd like

to see him find work here, not move away.

In my father's day, hard coal was booming. Most of my life, it's been going down. I've been telling my boy that what happens to his home town from here on is up to him.

I guess you might say my father stands for the past, I stand for the present, and my boy is the future.



### The Boom Years: 1890 to 1917

My father lived through the best times we ever had in the hard-coal area.

He was only twenty-five when he came over in 1890. Couldn't speak a word of English. But he was big and brawny, and the coal mines needed lots of his kind. People were coming in from Poland, Czechoslovakia, Lithuania, and all over central and southern Europe. The English, Welsh, and Irish had already been here for some time and had many of the best jobs. The Italians came later. When I was a boy, more different languages were spoken around here than you

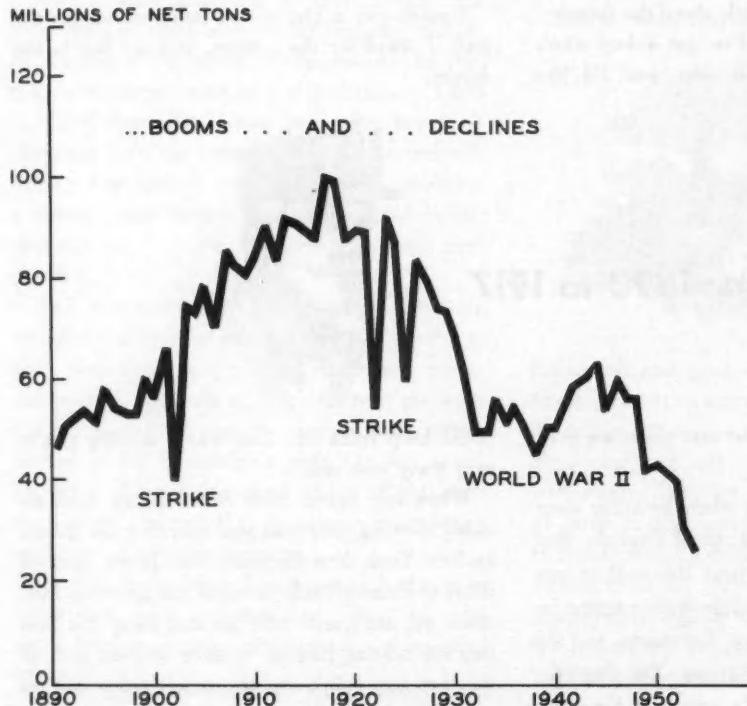
could keep track of. This was a melting pot if ever there was one.

When my father came over, things were already moving, and coal was sparking the boom. In New York, New England, New Jersey, and all through Pennsylvania demand was growing fast. After all, anthracite was far and away the best fuel for heating houses. It gave an even fire. It was hot but didn't smoke. It left ashes but no tar. Nobody knew just how much coal there was in the ground, but there was plenty.

Everything was set for a boom. My father rode it to its peak in 1917.

Two billion tons of coal, they turned out between 1890 and 1917! In 1890 they dug up 46 million tons. By 1917 they were mining 100 million tons. That's what pushed up the population of this area and brought in most of the industries we had. But life wasn't all a bowl of cherries. In some ways those times were pretty hard. For one thing, mining was dangerous. There was an old ballad they used to sing that went like this:

## HARD COAL



Output of anthracite rose rapidly to a peak of 100 million tons in 1917. Now, after a temporary spurt during World War II, it is about one-fourth that amount.

I'm a jovial collier lad, and blithe as blithe can be,  
For let the times be good or bad, they're all the same to me.  
'Tis little of the world I know, and care less for its ways  
For where the dog star never glows, I wear away my days.  
At every shift, be 't soon or late, I haste my bread to earn,  
And anxiously my kindred wait and watch for my return,  
For death, that levels all alike, whate'er their rank may be,  
Amid the fire and damp may strike, and fling his darts at me.

I can still remember families standing around the mine shaft waiting for their men to come up after a cave-in. It's hard to realize mining was like that once.

And it's hard to remember what some of the other working conditions were like. The companies were strong and the workers were weak. Most of the coal was mined by just a few companies run by the railroads. Many of the miners couldn't even speak English. When I was growing up I used to hear stories of wage cuts and high prices charged at company stores. Children often worked long hours. I know—I was a breaker boy.

I was too young to remember the strike of 1902. That was the first real victory for the miners. But it took a six-month strike and Teddy Roosevelt to do it.

You can get a pretty good idea of

how management felt by a letter a company official wrote to one of his stockholders. It said:

I beg of you not to be discouraged. The rights and interests of the laboring man will be protected and cared for—not by the labor agitators, but by the Christian gentlemen to whom God has given control of the property rights of the country . . .

Can you see an operator saying that today! Anyway, the strike was settled on October 29, 1902, and now October 29 is a mining holiday in honor of John Mitchell, the labor leader. Gradu-

ally the union got stronger and was finally recognized by the coal companies.

So the boom years had their good and bad points. Things were really humming, but there was a lot of hardship, too. And we paid a price for prosperity. Culm piles, scrub oak, crowded towns, dirty streams, and the bottom dropping out of streets. Most of it couldn't be helped, understand, but even so it still hasn't done us any good. A lot of our troubles today come from the good times of yesterday.

(To be continued)

## CURRENT TRENDS

### *Manufacturing activity in perspective at Third District plants*

As the first quarter of 1956 moves into the closing weeks, most sectors of the economy are operating near the peak rates that set 1955 apart as a year of record-breaking business activity. In fact, the automotive and homebuilding industries are about the only ones showing measurable declines from earlier ceilings. And even in these lines that contributed so much to recovery from the 1953-54 recession, comparisons still are favorable with almost any other period except last year.

The over-all rate of consumer spending remains high. Business spending for new plant and equipment seems to be an area of particular strength, reflecting the optimism that goes with a high volume of orders and a rising trend in backlog.

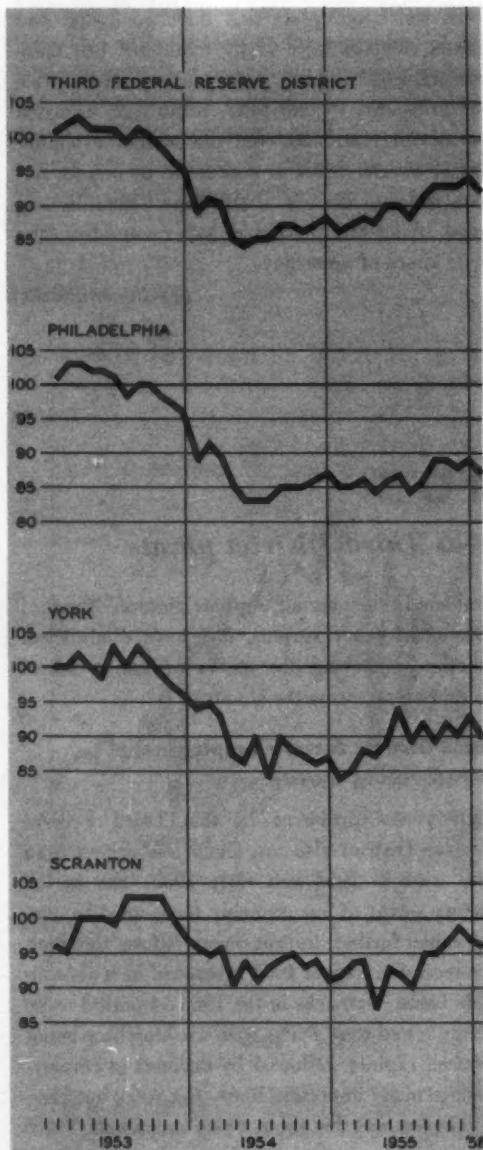
Total employment and income at the national level are following in about the usual seasonal pattern; both continue high for this time of the year. Unemployment has become much less of a

problem in the over-all business picture. Areas of substantial labor surplus, too, have diminished, thereby improving the status of major labor-market areas across the country.

#### **Third District factory employment is recovering slowly**

Employment problems in this Third Federal Reserve District also are much less urgent than they were in 1954 and early 1955. But in the factory sector of our economy there must be considerable further improvement before the high pre-recession level of 1953 is reached on a district-wide basis. Cutbacks in the 1953-54 period came abruptly and were sharp, with working time being reduced rapidly, followed by declines in employment in many important lines. Recovery has been in progress now for about a year and a half, but it has not been nearly so pronounced as one might

MANUFACTURING ACTIVITY\*  
(Index 1953=100)



\* Based on production worker hours

have expected in an economy operating at such high levels as prevailed during 1955.

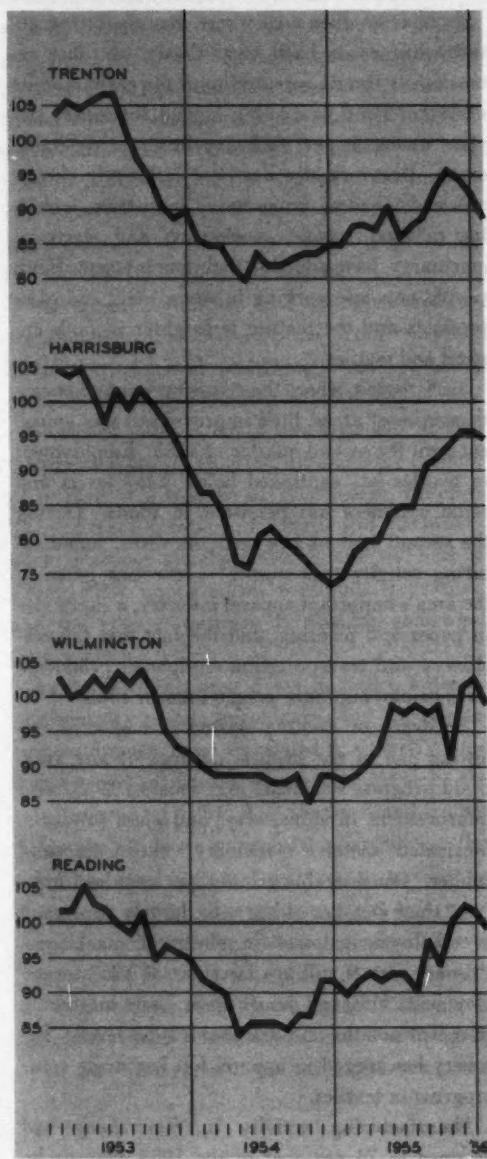
These trends are apparent in the accompanying charts that measure production-worker hours in terms of the 1953 average. The production-worker hours series is derived by multiplying employment by the average number of hours worked. It has been used to give a clearer picture of the total utilization of manpower than could be had from charting our indexes of employment and working time separately. Because this is a cumbersome term, it will be referred to in this article simply as manufacturing activity.

**Full recovery has come in very few lines**

For the Third Federal Reserve District as a whole, recovery from the 1954 low has proceeded slowly, with manufacturing activity still about 8 per cent below the average for the pre-recession year 1953. Some lines have come back much more than others. The apparel industry, which is the largest employer of factory labor in this district, is the best example of the relatively few lines that have recovered all of the ground lost in the recession. Here, employment has surpassed its 1953 level and there have been noteworthy increases in working time. Rubber manufacturing is another industry where latest comparisons also are favorable. In primary metals, the second largest employer of factory labor, both employment and average hours have risen considerably over the past twelve months, but not sufficiently to offset entirely the losses suffered during the recession.

Moderate gains have occurred in fabricated metals, chemicals, and electrical machinery. But in textiles, a key industry ranking third in employment, the number of production workers has continued to lag seriously. Only recently, working time in the mills has shown a rising trend to provide some offset to 1955 losses in employment.

**MANUFACTURING ACTIVITY**  
(Index 1953=100)



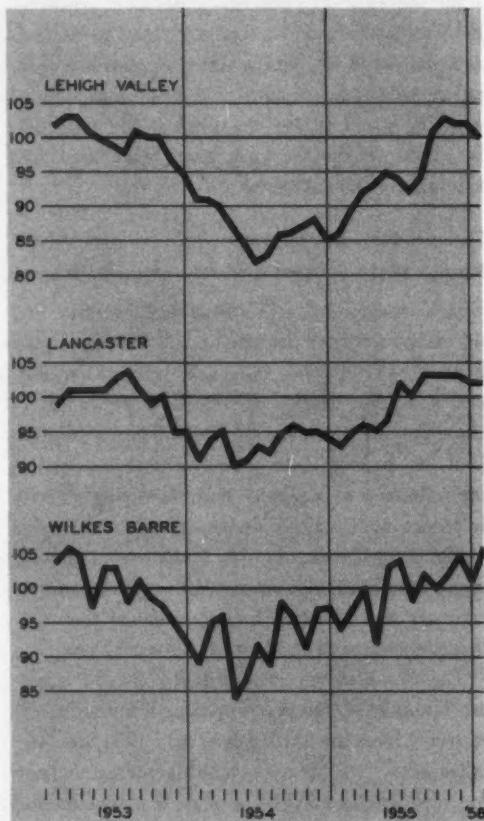
The transportation equipment industry in the district as a whole has made one of the poorest showings from the standpoint of employment, although there have been some increases in hours since the 1953-54 cutbacks. Persistent weakness here seems to have centered largely in aircraft and shipbuilding, where defense contracts were an important factor until about eighteen months ago. Fortunately for these lines, the prospects for more defense business have brightened considerably in recent weeks.

**The pattern of recovery  
varies widely from one area to another**

District-wide trends tell only part of the story, and not necessarily the brightest part. This is largely because of a very slow rate of recovery in a major city area that carries a great deal of weight in shaping the pattern for the Third Federal Reserve District. In half of the ten city areas discussed in the following paragraphs, manufacturing activity in recent months either approximated or exceeded 1953 average levels. A closer look at developments on an area basis also shows that some measure of recovery has occurred in every one of them, although not always in identical industry lines.

The *Philadelphia* area, with by far the greatest number of factory workers, has made less recovery from the low levels of mid-1954 than any other area. Its effect on manufacturing activity for the district may be seen at a glance in the chart comparisons. Strangely enough Philadelphia's most important industry from the standpoint of employment — apparel — has taken on few additional employees, while in the district as a whole this industry has made outstanding progress. Working time has lengthened in apparel but not in textile lines. Locally, the transportation equipment industry also has been a major depressant, chiefly because of the lag in defense

**MANUFACTURING ACTIVITY**  
(Index 1953=100)



orders at aircraft plants and shipyards. In coming months, however, a marked expansion in shipbuilding seems assured by the contracts recently awarded for naval vessels and tankers. There have been both employment and hour increases in other heavy industry, including primary and fabricated

metals, but not of sufficient magnitude to raise activity to pre-recession levels.

*York* is another area where manufacturing activity has come back very slowly. In fact recessionary trends persisted until the early months of 1955. Food processing lagged somewhat last year, owing in part to heavy losses in vegetable crops. Recovery also has been lacking in chemicals and tobacco. Some heavy industries, including primary metals, machinery, and electrical machinery, have added to their employment. More people now are working in stone, clay, and glass products and the picture is brighter in both apparel and textiles.

In *Scranton*, where the recession was less severe than in most areas, little improvement was apparent until the second quarter of 1955. Employment in textiles has continued below 1954 levels and some weakness has persisted in foods. During the second half of last year, however, manufacturing activity rose steeply — reflecting gains in the area's important apparel industry, a sharp rise in paper and printing, and the fact that the machinery and transportation equipment producers were employing more people than in 1953.

Recovery in *Trenton* started in mid-1954 following one of the steepest declines of any area. Good progress was made over most of 1955, with improvement in stone, clay, and glass products, fabricated metals, machinery, chemicals, and rubber. Considerable ground has been lost, however, since October of last year, largely as a result of employment losses in electrical machinery. Primary metals still are far short of 1953 in employment, although hours have been increasing in recent months and are above 1953 levels. Recovery has lagged in apparel but has made some progress in textiles.

Manufacturing activity in *Harrisburg* had dropped to 74 per cent of the 1953 average by

the end of 1954, largely because of losses in the most important industry — primary metals. Conversely, recovery during 1955 was the sharpest of any Third District area. As was the case in the downtrend, primary metals seem to have led in the recovery. This rapid improvement in the area picture has been supported by employment and hour increases in other heavy goods lines such as fabricated metals and transportation equipment and machinery. An additional factor has been increased activity in food processing.

The chemical industry in *Wilmington* contributed much to the 1955 recovery from recession levels that persisted all through the preceding year. Rubber and leather products also have experienced good gains in employment. So has the primary metals industry, although the number of workers still is short of 1953 levels. Employment in transportation equipment and machinery made a strong comeback during the last half of 1955. Slow improvement continues in textiles, and the apparel industry is working somewhat longer hours.

In the *Reading* area gains in heavy industry like primary metals, machinery, and transportation equipment have accounted for much of the rising trend in manufacturing activity since the third quarter of 1954. The chemical and leather industries also were substantial contributors. But there has been little real recovery in textiles, an important source of employment in this area. Apparel lines also have made a poor showing over the past two years.

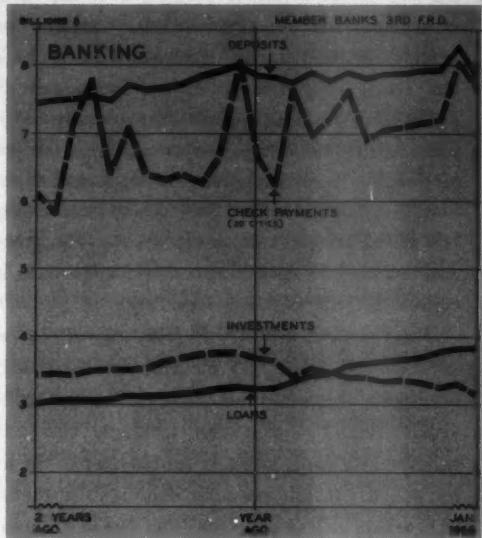
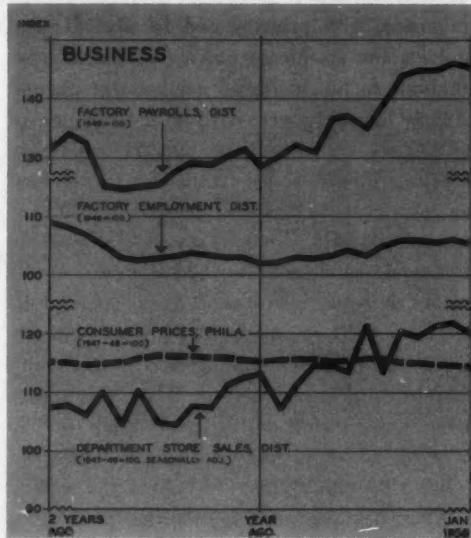
Metal working lines in the *Lehigh Valley* were the chief source of increases in manufacturing activity that have come in the past eighteen months.

The most spectacular gains were in transportation equipment, with primary and fabricated metal products and machinery making substantial contributions to the improved employment picture. All these industries were hard hit in the course of the 1953-54 recession. The apparel and textile industries, however, have little more than held their own over the past year or so.

*Lancaster*, like *Scranton*, was less affected by the recession and ranks among the areas with the greatest recovery. Lancaster owes much of its gain in manufacturing activity to the strong comeback in two of its top-ranking lines — machinery and fabricated metal products. The major part of these increases came during the first half of 1955 and these advanced levels have been maintained in recent months. Activity in textiles and apparel also has held up well, and the food industry experienced its usual seasonal rise during last summer.

*Wilkes-Barre* has been experiencing a rising trend in manufacturing activity of about the longest duration of any of our Third District city areas. Recovery from the recession began there in the spring of 1954. Increases in the apparel industry are mainly responsible for the improvement that has maintained manufacturing activity above the 1953 average level for several months. Among the heavy-goods lines, machinery and transportation equipment are about the only ones that have shown much improvement over the past year or so. In primary and fabricated metals the situation is unlike that found in some other areas. Here, these industries continue to show weakness from the standpoint of employment. However, smaller working forces are putting in longer hours than in the pre-recession year 1953.

# FOR THE RECORD...



SUMMARY	Third Federal Reserve District		United States		LOCAL CHANGES	Factory*		Department Store		Check Payments	
	Per cent change		Per cent change			Employ-ment	Payrolls	Sales	Stocks		
	January 1956 from		January 1956 from			Per cent change January 1956 from					
	mo. ago	year ago	mo. ago	year ago		mo. ago	year ago	mo. ago	year ago		
OUTPUT											
Manufacturing production	-2	+6	+1	+9	Allentown	-1	+9	+1	+29	+ 1 +18	
Construction contracts*	-7	+10	+1	+15	Harrisburg	0	+13	+2	+37	+ 6 +21	
Coal mining	+1	+13	-2	+16	Lancaster	-1	+7	0	+18 -59 + 3 - 4 + 8 - 1 +15		
EMPLOYMENT AND INCOME					Philadelphia	0	0	0	+8 -55 + 4 0 +16 - 4 +14		
Factory employment (Total)	-1	+3	-1	+5	Reading	-1	+6	-1	+17 -57 + 8 - 4 + 6 0 +24		
Factory wage income	-1	+13	.....	.....	Scranton	-1	+3	-1	+8 -62 + 8 - 7 - 1 + 3 +15		
TRADE**					Trenton	-1	+6	-4	+11 -57 + 3 -19 -15 + 3 +21		
Department store sales	-1	+5	+1	+3	Wilkes-Barre	0	+6	+2	+12 -62 - 2 - 2 + 3 0 +12		
Department store stocks	0	+11	+2	+10	Wilmington	0	+12	-5	+17 -64 +13 - 4 +21 -18 +15		
BANKING					York	-1	+6	-3	+14 -58 +17 - 3 + 3 - 2 +14		
(All member banks)											
Deposits	-3	0	-3	0							
Loans	0	+18	-1	+17							
Investments	-4	-14	-1	-11							
U.S. Govt. securities	-5	-14	-1	-13							
Other	-1	-16	0	-9							
Check payments	-5t	+16t	-7	+15							
PRICES											
Wholesale	0t	-1t	0	+2							
Consumer	0t	-1t	0	0							

\*Based on 3-month moving averages.

\*\*Adjusted for seasonal variation.

t20 Cities  
\$Philadelphia

\*Not restricted to corporate limits of cities but covers areas of one or more counties.

